

**National Marine Dredging Company**  
(Public Shareholding Company)

Condensed consolidated interim  
financial information

**31 March 2013**

**Principal business address:**  
P O Box 3649  
Abu Dhabi  
UAE

**National Marine Dredging Company**  
**(Public Shareholding Company)**

Condensed consolidated interim financial information

<i>Contents</i>	<i>Page</i>
Independent auditors' report on the review of condensed consolidated interim financial information	1
Condensed consolidated interim statement of comprehensive income	2
Condensed consolidated interim statement of financial position	3
Condensed consolidated interim statement of changes in equity	4
Condensed consolidated interim statement of cash flows	5
Notes to the condensed consolidated interim financial information	6 - 17



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## **Independent auditors' report on the review of condensed consolidated interim financial information**

The Board of Directors  
National Marine Dredging Company  
(Public Shareholding Company)  
Abu Dhabi

### *Introduction*

We have reviewed the accompanying condensed consolidated interim statement of financial position of National Marine Dredging Company (Public Shareholding Company) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2013 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month period then ended ("condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard IAS – 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### *Scope of review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2013 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 - *Interim Financial Reporting*.

14 May 2013

KPMG  
Munther Dajani  
Registration No.268

**National Marine Dredging Company**  
**(Public Shareholding Company)**

Condensed consolidated interim statement of comprehensive income  
for the three-month period ended 31 March

	<i>Note</i>	2013 AED'000	2012 AED'000
<b>Contract revenue</b>		704,868	675,159
Contract costs		(600,558)	(582,174)
<b>Gross profit</b>		<u>104,310</u>	<u>92,985</u>
Other income	7	776	8,430
Administrative expenses		(20,012)	(21,093)
<b>Results from operating activities</b>		<u>85,074</u>	<u>80,322</u>
Net finance income	8	933	1,987
<b>Profit for the period</b>		<u>86,007</u>	<u>82,309</u>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Fair value gains on available-for-sale financial assets ( <i>net</i> )	13, 22	201	42
<b>Total comprehensive income for the period</b>		<u><u>86,208</u></u>	<u><u>82,351</u></u>
<b>Earnings per share</b>			
Basic and diluted earnings per share (AED)	9	<u><u>0.38</u></u>	<u><u>0.36</u></u>

The notes set out on pages 6 to 17 form an integral part of the condensed consolidated interim financial information.

The independent auditors' report on the review of condensed consolidated interim financial information is set out on page 1.

# National Marine Dredging Company

(Public Shareholding Company)

## Condensed consolidated interim statement of financial position as at

	Note	31 March 2013 AED'000	31 December 2012 AED'000
<b>Non-current assets</b>			
Property, plant and equipment	10	1,347,483	1,333,912
Goodwill and other intangible assets	25	54,382	54,581
<b>Total non-current assets</b>		<b>1,401,865</b>	<b>1,388,493</b>
<b>Current assets</b>			
Inventories	11	249,234	252,285
Trade and other receivables	12	3,171,842	2,937,333
Available-for-sale financial assets	13	8,581	8,380
Financial assets at fair value through profit or loss	14	29,119	24,399
Cash and bank balances	15	117,584	264,099
<b>Total current assets</b>		<b>3,576,360</b>	<b>3,486,496</b>
<b>Current liabilities</b>			
Bank overdraft	15	152,654	-
Finance lease ( <i>current portion</i> )	19(b)	27,377	26,097
Loans and borrowings ( <i>current portion</i> )	19(a)	350,000	350,000
Trade and other payables	18	802,869	918,623
Advances from customers	17	203,397	216,363
Dividend payable		40,583	40,954
Provision for employees' end of service benefits		82,831	82,756
<b>Total current liabilities</b>		<b>1,659,711</b>	<b>1,634,793</b>
<b>Net current assets</b>		<b>1,916,649</b>	<b>1,851,703</b>
<b>Non-current liabilities</b>			
Loans and borrowings ( <i>non-current portion</i> )	19(a)	108,000	108,000
Finance lease ( <i>non-current portion</i> )	19(b)	50,875	58,765
		<b>158,875</b>	<b>166,765</b>
<b>Net assets</b>		<b>3,159,639</b>	<b>3,073,431</b>
<b>Represented by:</b>			
Share capital	20	227,849	227,849
Share premium	21	190,205	190,205
Reserves	22	735,199	734,998
Proposed dividend	23	113,924	113,924
Retained earnings		1,892,462	1,806,455
<b>Total equity</b>		<b>3,159,639</b>	<b>3,073,431</b>

The condensed consolidated interim financial information was approved and authorised for issue on  
19 MAY 2013 by:

Mohammad Thani Murshid  
Al Rumaithi- *Chairman*

Yasser Nasr Zaghloul,  
*Chief Executive Officer*

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Gautam V. Pradhan  
*Chief Financial Officer*

The notes set out on pages 6 to 17 form an integral part of the condensed consolidated interim financial information.  
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**National Marine Dredging Company**  
(Public Shareholding Company)

Condensed consolidated interim statement of changes in equity  
for the three-month period ended 31 March

	Share capital AED'000 <i>(note 20)</i>	Share premium AED'000 <i>(note 21)</i>	Reserves AED'000 <i>(note 22)</i>	Proposed dividend AED'000 <i>(note 23)</i>	Retained earnings AED'000	Total AED'000
At 1 January 2012	227,849	190,205	734,792	113,924	1,581,358	2,848,128
<b>Total comprehensive income for the period</b>						
Profit for the period					82,309	82,309
<b>Other comprehensive income</b>						
Fair value gains on available- for-sale financial assets <i>(net)</i>	-	-	42	-	-	42
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	-	-	-
<i>Transactions with owners, recorded directly in equity</i>						
<b>Distribution to shareholders</b>						
Dividend for 2011	-	-	-	(113,924)	-	(113,924)
<b>At 31 March 2012</b>	<u>227,849</u>	<u>190,205</u>	<u>734,834</u>	<u>-</u>	<u>1,663,667</u>	<u>2,816,555</u>
At 1 January 2013	227,849	190,205	734,998	113,924	1,806,455	3,073,431
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	86,007	86,007
<b>Other comprehensive income</b>						
Fair value gains on available- for-sale financial assets <i>(net)</i>	-	-	201	-	-	201
<b>At 31 March 2013</b>	<u>227,849</u>	<u>190,205</u>	<u>735,199</u>	<u>113,924</u>	<u>1,892,462</u>	<u>3,159,639</u>

The notes set out on pages 6 to 17 form an integral part of the condensed consolidated interim financial information.

**National Marine Dredging Company**  
(Public Shareholding Company)

Condensed consolidated interim statement of cash flows  
for the three-month period ended 31 March

	Note	2013 AED'000	2012 AED'000
<b>Cash flows from operating activities:</b>			
Profit for the period		86,007	82,309
<i>Adjustment for:</i>			
Depreciation	10	63,517	58,255
Amortization of intangibles	25	199	244
Interest expenses / (income)	8	3,787	(4)
Gain on disposal of property, plant and equipment	7	(518)	(1,462)
Fair value gain on financial assets at fair value through profit or loss	14	(4,720)	(1,983)
Provision for employee's end of service benefits		7,116	2,288
		<u>155,388</u>	<u>139,647</u>
End of service benefits paid		(7,042)	(4,970)
		<u>148,346</u>	<u>134,677</u>
Change in inventories		3,051	(27,862)
Change in trade and other receivables		(234,509)	(117,902)
Change in trade and other payables		(105,863)	(42,402)
Change in advance from customers		(12,966)	(27,012)
		<u>(201,941)</u>	<u>(80,501)</u>
<b>Cash flows from investing activities:</b>			
Acquisition of property, plant and equipment	10	(77,226)	(36,150)
Proceeds from disposal of property, plant and equipment		657	1,462
Cash paid for acquisition of subsidiary ( <i>net</i> )		(16,500)	(88,875)
Interest income	8	-	4
		<u>(93,069)</u>	<u>(123,559)</u>
<b>Cash flows from financing activities</b>			
Dividend paid		(372)	(130)
Term loan repaid		-	(1,422)
Interest paid		(3,787)	-
		<u>(4,159)</u>	<u>(1,552)</u>
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January	15	264,099	83,516
		<u>(299,169)</u>	<u>(205,612)</u>
<b>Cash and cash equivalents at 31 March</b>	15	<u>(35,070)</u>	<u>(122,096)</u>

The notes set out on pages 6 to 17 form an integral part of the condensed consolidated interim financial information.

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# National Marine Dredging Company

(Public Shareholding Company)

## Notes to the condensed consolidated interim financial information

### 1 Legal status and principal activities

National Marine Dredging Company (“the Company”) is a public shareholding company incorporated in the Emirate of Abu Dhabi. The Company was incorporated by Law No. (10) of 1979, as amended by Decrees No. (3) and (9) of 1985 issued by His Highness Sheikh Khalifa Bin Zayed Al Nahyan, who was then the Deputy Ruler of the Emirate of Abu Dhabi.

The Company is primarily engaged in the execution of dredging contracts and associated land reclamation works in the territorial waters of the United Arab Emirates (“UAE”), principally under the directives of the Government of Abu Dhabi (“the Government”), a major shareholder.

The condensed consolidated interim financial information of the Company as at and for the three months ended 31 March 2013 includes the financial performance and position of the Company and its below mentioned subsidiaries (collectively referred to as “the Group”).

Subsidiary	Country of incorporation and operation	Share of equity %		Principal activity
		2013	2012	
Emarat Europe Fast Building Technology System Factory L.L.C (Emarat Europe)	UAE	100	100	Manufacturing and supply of precast concrete
National Marine Dredging Company (Industrial)	UAE	100	100	Manufacturing of steel pipes and steel pipe fittings
ADEC Engineering Consultancy L.L.C	UAE	100	100	Consultancy services in the field of civil, architectural, drilling and marine engineering along with related laboratory services

For more information on the acquisition/ formation of subsidiaries, refer note 25.

### 2 Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with the International Accounting Standard IAS – 34, *Interim Financial Reporting*. They accordingly do not include all the information required for a complete set of annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2012.

### 3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial information are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013 as disclosed in note 3(a).



# National Marine Dredging Company

(Public Shareholding Company)

## Notes to the condensed consolidated interim financial information

### 3 Significant accounting policies *(continued)*

#### a) *New standards, interpretations and amendments adopted by the Group*

The Group applies, for the first time, certain standards and amendments. These include IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial information of the Group.

The nature and the impact of each new standard/amendments impacting the consolidated financial statements and interim condensed consolidated financial information of the Group are set out below:

#### *IAS 1- Presentation of Financial Statements (amendments)*

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified to profit or loss (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

#### *IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10, sets following criteria to meet the definition of control:

- (a) an investor has power over an investee;
- (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the consolidation of investments held by the Group.

#### *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial information, unless significant events and transactions in the interim period require that such disclosures are provided. Accordingly, the Group has not made such disclosures.

# National Marine Dredging Company

(Public Shareholding Company)

## Notes to the condensed consolidated interim financial information

### 3 Significant accounting policies *(continued)*

#### a) *New standards, interpretations and amendments adopted by the Group (continued)*

##### *IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

### 4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2012.

### 5 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2012.

### 6 Staff costs

	<b>Three month period ended 31 March 2013 AED'000</b>	<b>Three month period ended 31 March 2012 AED'000</b>
Salaries and wages	31,451	29,346
Other benefits	57,587	45,467
	<u>89,038</u>	<u>74,813</u>

### 7 Other income

	<b>Three month period ended 31 March 2013 AED'000</b>	<b>Three month period ended 31 March 2012 AED'000</b>
Gain on disposal of property, plant and equipment	518	1,462
Miscellaneous income	258	6,968
	<u>776</u>	<u>8,430</u>

**National Marine Dredging Company**  
(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

**8 Net finance income**

	<b>Three month period ended 31 March 2013 AED'000</b>	Three month period ended 31 March 2012 AED'000
Fair value gain on financial assets at fair value through profit or loss ( <i>note 14</i> )	4,720	1,983
Interest (expense) / income ( <i>net</i> )	(3,787)	4
	<u>933</u>	<u>1,987</u>

**9 Earnings per share**

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding at the end of the period was 227,848,502 shares (31 March 2012: 227,848,502).

There are no potentially dilutive instruments therefore the basic and diluted earnings per share are same.

**10 Property, plant and equipment**

	<b>Total AED'000</b>
<i>Cost</i>	
At 1 January 2013	2,920,112
Additions	77,226
Disposals	(1,703)
<b>At 31 March 2013</b>	<u><b>2,995,635</b></u>
<i>Depreciation</i>	
At 1 January 2013	1,586,200
Charge for the period	63,517
Disposals	(1,565)
<b>At 31 March 2013</b>	<u><b>1,648,152</b></u>
<i>Net carrying amount</i>	
<b>At 31 March 2013</b>	<u><u><b>1,347,483</b></u></u>

**National Marine Dredging Company**  
(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

**11 Inventories**

	<b>31 March 2013 AED'000</b>	31 December 2012 AED'000
Spare parts and consumable stores	268,646	271,221
Raw materials	1,124	1,686
Finished goods	3,339	3,253
Provision for slow moving and obsolete inventories	<b>(23,875)</b>	<b>(23,875)</b>
	<u><u>249,234</u></u>	<u><u>252,285</u></u>

**12 Trade and other receivables**

	<b>31 March 2013 AED'000</b>	31 December 2012 AED'000
Trade receivables	557,977	430,031
Less: provision for impairment of receivables	<b>(37,341)</b>	<b>(37,341)</b>
	<u>520,636</u>	<u>392,690</u>
Unbilled receivables ( <i>net of provisions</i> )	2,409,053	2,300,735
Deposits and prepayments	57,692	50,361
Other receivables	184,461	193,547
	<u><u>3,171,842</u></u>	<u><u>2,937,333</u></u>

67 % (2012: 66%) of the trade receivables balance above, amounting to AED 372,818 thousand (2012: AED 282,020 thousand) is receivable from the Government of Abu Dhabi, its departments and other related parties.

Unbilled receivables include AED 664,471 thousand (2012: AED 742,632 thousand), out of which AED 21,655 thousand (31 March 2012: AED 43,089 thousand) has been recognised as revenue during the period, receivable from Government of Abu Dhabi and its departments wherein contract agreements are currently being finalised. The unbilled amount of AED 664,471 thousand includes an amount of AED 484,000 thousand, which is outstanding for periods exceeding one year as at the reporting date. However, based on the status of discussion with the parties, management has assessed that these recorded amounts are fully recoverable.

**National Marine Dredging Company**  
(Public Shareholding Company)

Notes to the condensed consolidated interim financial information

**13 Available for sale financial assets**

	<b>31 March 2013 AED'000</b>	31 December 2012 AED'000
At 1 January	8,380	8,174
Change in fair value ( <i>refer note 21</i> )	201	206
	<u>8,581</u>	<u>8,380</u>

Available for sale financial assets comprise equity investments listed in securities markets in the United Arab Emirates. Such instruments are denominated in UAE Dirhams.

**14 Financial assets at fair value through profit or loss**

	<b>31 March 2013 AED'000</b>	31 December 2012 AED'000
At 1 January	24,399	20,389
Fair value adjustments	4,720	4,010
	<u>29,119</u>	<u>24,399</u>

Financial assets at fair value through profit or loss comprise equity instruments listed on securities markets in the UAE. Such instruments are denominated in UAE Dirhams.

**15 Cash and cash equivalents**

For the purposes of the condensed consolidated interim statement of cash flows, cash and cash equivalents comprise the following:

	<b>31 March 2013 AED'000</b>	31 December 2012 AED'000
Cash in hand	897	874
Cash at banks		
- Current accounts	115,980	262,544
- Short term deposits*	707	681
<b>Cash and bank balances</b>	<u>117,584</u>	<u>264,099</u>
Bank overdraft	(152,654)	-
<b>Cash and cash equivalents for cash flow purpose</b>	<u>(35,070)</u>	<u>264,099</u>

\*Short term deposits have original maturities of less than 3 months and earn interest at prevailing market rates.

# National Marine Dredging Company

(Public Shareholding Company)

## Notes to the condensed consolidated interim financial information

### 16 Related party transactions and balances

Related parties comprise the Company's shareholders and key management personnel.

The Company derives a significant portion of its revenue from the Government of Abu Dhabi, the major shareholder, and its departments (*refer note 12*).

### 17 Advances from customers

Advances from customers represent advances received by the Company in respect of dredging contracts for the projects set out below:

	<b>31 March 2013 AED'000</b>	31 December 2012 AED'000
Zakum project	177,290	198,740
Gasco	11,221	14,657
Das Island	5,821	-
Carbon Black	3,302	-
Others	5,763	2,966
	<u>203,397</u>	<u>216,363</u>

### 18 Trade and other payables

	<b>31 March 2013 AED'000</b>	31 December 2012 AED'000
Trade payables	334,655	482,709
Accrued liabilities	431,080	391,777
Retention payable	31,935	37,510
Other payables	5,199	6,627
	<u>802,869</u>	<u>918,623</u>

### 19 (a) Loans and borrowings

	<b>31 March 2013 AED'000</b>	31 December 2012 AED'000
Revolving Mudaraba facility <sup>1</sup>	350,000	350,000
Commodity Murabaha <sup>2</sup>	108,000	108,000
	<u>458,000</u>	<u>458,000</u>

**National Marine Dredging Company**  
**(Public Shareholding Company)**

Notes to the condensed consolidated interim financial information

**19 (a) Loans and borrowings** *(continued)*

	<b>31 March</b>	31 December
	<b>2013</b>	2012
	<b>AED'000</b>	AED'000
Current portion	<b>350,000</b>	350,000
Non-current portion	<b>108,000</b>	108,000
	<b><u>458,000</u></b>	<u>458,000</u>

<sup>1</sup>*Revolving Mudaraba Facilities:*

*Facility 1*

In 2012, the Company obtained a Mudaraba facility from a commercial bank amounting to AED 350 million to finance the working capital requirements for projects executed by the Company. As per the facility agreement the Company was entitled to draw down the amount against invoices raised on certain projects and the bank was entitled to a profit of 3 months EIBOR + margin. The amount was repayable on realization of the invoices against which facility is obtained or two years from the date of first draw down of the underlying tranche. The facility was secured against the assignment of proceeds from projects financed under the facility, in the favour of bank. In December, 2012 the Company settled the facility in full and replaced this facility with another Mudaraba facility with another commercial bank (*refer below*).

*Facility 2*

In 2012, The Company obtained another revolving Mudaraba facility amounting to AED 350 million to replace facility 1. As per the facility agreement the bank is entitled to a profit of 1 month EIBOR + margin. The facility is settled and rolled over on a monthly basis. The facility is secured against the irrevocable and unconditional assignment of project receipts in favour of the bank.

<sup>2</sup>*Commodity Murabaha*

In April 2012, to facilitate the purchase of shareholding in Emarat Europe Fast Building Technology Factory LLC (*refer note 25*), the Company obtained a commodity murabaha facility from a bank amounting to AED 108 million for a period of three years. The bank is entitled to a profit equal to 3 months EIBOR + margin. The principal amount is to be repaid in four quarterly instalments commencing from two years of the draw down. The first three instalments of AED 6.75 million each are payable quarterly, commencing 2 years from the draw down date. The Company has an option to repay the remaining amount of AED 81 million in one tranche as the fourth instalment, or to enter into a new murabaha agreement for AED 81 million. The facility is secured against a corporate guarantee from Emarat Europe Fast Building Technology Factory LLC covering the facility amount of AED 108 million.

**National Marine Dredging Company**  
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Notes to the condensed consolidated interim financial information

**19 (b) Finance lease**

In 2012 the Company acquired rock transport barges and tug boats on finance lease from the supplier. Finance lease liabilities are payable as follows:

	<b>Future minimum lease payments AED'000</b>	<b>Interest AED'000</b>	<b>Present value of minimum lease payments AED'000</b>
Less than one year	31,095	3,718	27,377
Between one and five years	53,622	2,747	50,875
	<u>84,717</u>	<u>6,465</u>	<u>78,252</u>

**20 Share capital**

	<b>31 March 2012 AED'000</b>	<b>31 December 2012 AED'000</b>
Authorised, issued and fully paid: 227,848,502 (31 December 2012: 227,848,502) ordinary shares of AED 1 each	<u>227,849</u>	<u>227,849</u>

**21 Share premium**

On 4 February 2010, the Company and Tasameem Real Estate LLC ("Tasameem") entered into an agreement according to which the Company was to issue 50,000,000 convertible bonds to Tasameem to be converted into equity shares of the Company at AED 7.83 per share over a period of four years. The issue and the conversion of these bonds was to take place as per the schedule stated in the agreement and set out below.

In accordance with the above, the Company issued 16,773 and 11,076 thousand convertible bonds to Tasameem in 2010 and 2011, respectively, for a total consideration of AED 218,054 thousand. These bonds were converted to 27,849 thousand equity shares of the Company at the face value of AED 1 per share resulting in an increase in the Company's share capital by AED 16,773 thousand in 2010 and AED 11,076 thousand in 2011. The excess of the consideration over the face value of the equity shares issued, as set out below, has been recorded as share premium:

	<b>AED'000</b>
Par value of shares issued	27,849
Share premium	190,205
	<u>218,054</u>

The table set out below represents schedule for the issue of the bonds and the conversion thereof into equity shares:



# National Marine Dredging Company

(Public Shareholding Company)

## Notes to the condensed consolidated interim financial information

### 21 Share premium (continued)

Issue No.	Issue Date as Per Agreement	Conversion Date	Issue Value AED	Number of shares to be issued	Settlement method
1	2 February 2010	15 March 2010	131,330,664	16,772,753	Transfer of property, plant and equipment
2	30 January 2011	15 March 2011	86,723,112	11,075,749	Cash
3	30 January 2012*	15 March 2012	86,723,112	11,075,749	Cash
4	30 January 2013*	15 March 2013	86,723,112	11,075,749	Cash

\*Tasameem has defaulted on its obligation to pay the consideration for issue of bonds in 2012 and 2013. Accordingly, no convertible bonds have been issued in 2012 and 2013.

### 22 Reserves

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Effective portion of change in fair value of cash flows AED'000	Unrealised gain on available for sale financial assets AED'00	Total AED'000
At 1 January 2012	113,924	595,000	20,000	-	5,868	734,792
Fair value losses on available for sale financial assets (net)	-	-	-	-	42	42
At 31 March 2012	<u>113,924</u>	<u>595,000</u>	<u>20,000</u>	<u>-</u>	<u>5,910</u>	<u>734,834</u>

	Legal reserve AED'000	Asset replacement reserve AED'000	Regulatory reserve AED'000	Effective portion of change in fair value of cash flows AED'000	Unrealised gain on available for sale financial assets AED'00	Total AED'000
At 1 January 2013	113,924	595,000	20,000	-	6,074	734,998
Fair value losses on available for sale financial assets (net)	-	-	-	-	201	201
At 31 March 2013	<u>113,924</u>	<u>595,000</u>	<u>20,000</u>	<u>-</u>	<u>6,275</u>	<u>735,199</u>

#### Legal reserve

The Articles of Association of the Company require that 10% of the Company's net profit be transferred to a non-distributable statutory reserve until the amount of the statutory reserve reaches an amount equal to 50% of the Company's paid-up capital. No such transfers have been made to this reserve as the threshold limit has already been reached.

# National Marine Dredging Company

(Public Shareholding Company)

## Notes to the condensed consolidated interim financial information

### 22 Reserves (continued)

#### Asset replacement reserve

This reserve represents an appropriation from the annual profit at the discretion of the Board of Directors with the approval of the General Assembly to facilitate the financing of dredgers and support craft and other major items of capital structure. No appropriation was proposed from the current or prior period net profit.

#### Regulatory reserve

Transfers to and from the regulatory reserve are made at the discretion of the Board of Directors with the approval of the General Assembly and in accordance with the powers granted by the Articles of Association. This reserve may be used for such purposes as the Board of Directors deem necessary for the Company's activities. No appropriation was made from the current or prior year profit.

### 23 Proposed dividend

The Board of Directors at a meeting held on 24 February 2013, recommended a final dividend of AED 0.5 per share, for the year ended 31 December 2012 amounting to AED 113,924 thousand (2011: AED 0.50 amounting to AED 113,924 thousand) for the Company's shareholders. At the Annual General Meeting held on 24 April 2013, the shareholders approved the final dividend of AED 0.5 per share, amounting to AED 113,924 thousand (2011: 113,924 thousand) to all the shareholders whose names were included in the register of members as at 24 April 2013.

### 24 Contingencies and commitments

	31 March 2013 AED'000	31 December 2012 AED'000
Guarantees	1,309,176	1,209,268
Letters of credit	7,426	3,023

### 25 Acquisition / formation of subsidiaries

#### a) Acquisition of subsidiary

In January 2012 the Company completed the acquisition of Emarat Europe Fast Building Technology Factory LLC ("Emarat Europe") by acquiring a 100% of Emarat Europe's shares and voting rights from Investment Holding Establishment and Sehab Al Sayed Ahmed Al Sayed Al Hashmi (collectively referred to as "the Seller"), on a debt and cash free basis, for a consideration of AED 120,000 thousand.

Emarat Europe, a limited liability company registered in the Emirate of Abu Dhabi, is primarily engaged in the manufacturing and erection of pre-stressed and pre-cast concrete products such as hollow core slabs, panels, columns, stairs and other concrete products.

# National Marine Dredging Company

(Public Shareholding Company)

## Notes to the condensed consolidated interim financial information

### 25 Acquisition / formation of subsidiaries (continued)

Acquisition of Emarat Europe will enable the Company to take advantage of growth opportunities in local market and in region and to improve its delivery of turnkey civil marine projects.

The fair value of identifiable assets acquired, as set out below, has been determined based on an independent valuation.

	AED'000
Property, plant and equipment	58,071
Intangible assets*	19,313
Inventories	6,340
	<hr/>
	<b>83,724</b>
	<hr/> <hr/>

\*Intangible assets include fair value of operating lease rights amounting to AED 19,101 thousand and customers' order backlog amounting to AED 212 thousand. During the period amortization of AED 199 thousand (31 March 2012: AED 244 thousand) has been recognised in the profit or loss on these assets.

Goodwill has been recognised as follows:

	AED'000
Purchase price	120,000
Fair value of assets acquired (refer above)	(83,724)
	<hr/>
	<b>36,276</b>
	<hr/> <hr/>

The goodwill is attributable mainly to the skills and the technical talent of the acquiree's work force and synergies expected to be achieved from integrating Emarat Europe in the Group's existing business.

#### b) Formation of subsidiaries

National Marine Dredging Company (Industrial) is an Establishment registered in the Emirate of Abu Dhabi. National Marine Dredging Company (Industrial) is established for the purpose of holding 1% investment in the Group's subsidiaries, to comply with the local regulations.

ADEC Engineering Consultancy L.L.C is a limited liability company registered in the Emirate of Abu Dhabi. ADEC Engineering Consultancy L.L.C is formed for the purpose of holding Group's investments in future.

### 26 Business and geographical segments

#### Business segments

The majority of the Company's revenue is generated from marine dredging contracts and associated works carried out for the Government of Abu Dhabi.

#### Geographical segments

All of the Company's projects are carried out in the territorial waters of the United Arab Emirates.